21. Income-Tax and the difficulties of merchants.

Mr. Ramasubbu Chettiyar Sivatanu Chettiyar (Member, Trading Classes' Kottar) represented that in 1097 the collectors of income tax recovered income-tax from the merchants on the basis of the returns of income for 1096 produced by the merchants, and in cases where such returns were not furnished they were assessed to the best of the judgment of the collectors. It was provided in the D Form notices served on the merchants that an adjustment of the tax would be made towards the end of the year after ascertaining the actual income for the year. But though the assessees produced their account books in 1098 to show the actual income of 1097, those books were in many cases not examined and returned to them. Even in the cases in which the accounts were examined, the actual income was not correctly ascertained, because the collectors did not understand the system of account-keeping followed by the merchants and they did not consult the assessees when examining their accounts. The Member stated that the recovery of the tax based on a provisional assessment of the previous year's income and the imposition of penalty for default of payment of such tax were causing great hardship to them. Before the actual income could be determined, they were bound to pay the estimated tax, and the amount so paid was very often a portion of the capital which they had borrowed at high rates of interest. To remove the hardship so caused, the Member prayed that, instead of recovering the whole amount of the estimated tax during the year in which it was due, one-half of that amount might be recovered in two instalments in the months of Vrischikam and Kumbham. In regard to the remaining half, since the accounts of every year would be closed by the end of that year, the amount due might be recovered in two instalments in the months of Makaram and Kumbham of the following year. In support of his prayer he said that, in British India, the tax for a year was recovered in the month of Dhanu that year, and that the amount of tax was calculated on the actual income of the previous year.

The Member also referred to a petition dated the 12th Panguni, 1097, submitted by the merchants of Kottar, and said that no final orders had been passed on the prayers contained in paragraphs 6 and 11 thereof.

22. Some hardships experienced in the enforcement of the Income-tax Regulation.

Mr. Ouseph Thoma (Member, Trading Classes, Changanachery), in accepting the principles underlying the Income-Tax Regulation, stated that several hardships were being experienced by the people on account of the enforcement of certain provisions of that Regulation. Those hardships were mainly of two classes, *viz*, (1) those arising out of the Regulation itself ; and (2) those incidental to its working. In regard to the former, he said that, firstly, under Section 51 of the Regulation, no suit could be brought in any civil court to set aside or modify any assessment order made under the Regulation, and that, therefore, any error or injustice committed by a collector could only be remedied by the higher officers of his department. The Member pointed out that such an arrangement was unsatisfactory and suggested that Section 51 be suitably amended so as to enable the assessees to secure the needed relief in civil courts. Secondly, under Section 11 (2) of the Regulation, Government sanctioned the exemption from calculation, for purposes of income-tax, of the contributions paid by an assessee to effect an insurance on his own life or on the life of his wife. Chitty funds in Travancore were analogous to life insurance funds; and the Member, therefore, prayed that the contributions to the former might also be similarly treated. Thirdly, the profits of a company were being assessed at the maximum rate, *viz.*, 2 *chackrams* in the rupee; but, with a view to afford relief to the share-holders, Section 36 provided for proportionate refunds at rates varying with their taxable income. The Member observed that the amounts which the shareholders were entitled to get back were, in many cases, so small when compared with the cost and trouble incidental to an application for refund that the assessees were rather inclined to forego those amounts. To avoid the loss that assessees might incur on the above account, the Member prayed that the actual profits from companies received by the shareholders might be included within their ordinary taxable income and the assessment made on the basis of such calculation. Turning next

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to the difficulties incidental to the working of the Regulation, the Member said that the first source of hardship was the long detention, in the offices of the collectors, of the account books produced by the assessees coupled with the manner in which such books were examined. Incomes, as seen from the account books, were taken to be underestimated and expenditure overestimated with the result that the collectors seldom accepted the accuracy of the accounts produced, though they were implicitly accepted by the civil courts. No receipts were given for the account books and other valuable documents produced by the assessees. Profits were fixed at percentages varying with the whims and fancies of the subordinate clerks examining the accounts. Those clerks were neither qualified nor competent to examine the account books. The Member, therefore, prayed that the above grievances might be redressed by appointing qualified auditors in the offices of the collectors and by prescribing a time-limit for the examination of accounts. Secondly, there was much delay in the disposal of appeals, which, in most cases, simply confirmed the original decisions after such delay. Assessees had to wait in the offices of the Dewan Peishkars both at headquarters and in camp for unusually long periods before the appeals were disposed of. Another source of grievance was that many collectors were assessing incomes which had been expressly exempted from the operation of the Regulation, such as incomes derived from property held in trust for charitable or religious purposes and from voluntary contribution applicable solely to religious and charitable purposes. The Member prayed that necessary orders might be issued for the prevention of such irregularity.

Lastly, the Member said that much difficulty was experienced in the matter of remitting income-tax into Government treasuries. Assessees had often to remit the tax into a distant treasury, while there was a nearer one. To remove that difficulty, he prayed that orders might be issued so as to enable the assessees to remit their taxes into or to receive refunds from, the treasuries nearest their houses.

23.] Some complaints on the present working of the Income-tax Regulation.

Mr. V. R. Gopala Pillai (Member, Kunnatnad Taluk) spoke on certain grivances to the people arising out of the present working of the Income-tax Regulation. He said that, in the first place, under the Income-tax Regulation, income derived from *thanathu* lands, which were not assessed to revenue, was subject to the payment of the tax, and that the taxation of such incomes meant the denial of the privilege of immunity from taxation enjoyed by the owners of such lands, *viz.*, the Jenmies, for a long time. He pointed out that the amount of land tax on the above lands would be much less than the income-tax payable on the income derived from them. The fact that those lands, on alienation, became subject to assessment to land revenue, served as a restraint against alienation. Now that the lands were declared subject to income-tax, the Jenmies tried to alienate them in order to escape assessment and the result would be that the present tenure of such lands would disappear in course of time. The Member pointed out that there were practical difficulties in assessing the income derived from such lands. The Jenmies did not cultivate the lands themselves, but leased them to their tenants who cultivated those lands along with the other properties of the Jenmies and who did not keep separate accounts of the income derived from *thanathu* and other lands, and consequently, the collectors often assessed the income from those lands arbitrarily. He, therefore, prayed that the income from *thanathu* lands might be exempted from the operation of the Income-tax Regulation.

The Member next stated that incomes derived from landed properties situated outside Travancore were not treated as agricultural income for purposes of assessment. Since those incomes were also derived from lands, he requested that they might be classed as agricultural incomes.

Another irregularity was that such items of income as *michavaram*, *pattom*, etc., were taxed against the provisions of the Regulation on the strength of confidential circulars. The Member prayed that that practice might be stopped.

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